

Edwards,Michelle

From: Elliott,Earl
Sent: Monday, November 07, 2016 12:50 PM
To: Azar, George; Neil Garrison; Nasser,Karrum; Nation,Todd; Crossen,Martha; Auler,Amy; Don Morris; DeBaun,Curtis
Cc: Edwards,Michelle; Bennett,Duke A; Ellis,Leslie; Speidel,Brad; Sue Loughlin; Ennis,Charles
Subject: Fw: NEW SEWER REVENUE ANALYSIS
Attachments: 0875_001.pdf

Council members, The attachment summarizes where I stand at this moment. Please red and provide feed back on some of the open issues as requested. Thanks, Earl

From: contact@sackrider.com <contact@sackrider.com>
Sent: Monday, November 7, 2016 12:51 PM
To: Elliott,Earl
Subject: NEW SEWER REVENUE ANALYSIS

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CITY CLERK

11/7/16 AM

New Sewer Revenue Analysis

Since Thursday's meeting, I have invested time updating my calculations of the minimum amount of new sewer revenue needed to pay for LTCP Phase 2 and satisfy the 125% debt service coverage requirement that must be met. Before I can finalize the calculations, I need more information including some input from you on a couple of estimates that are involved. My information needs include the following:

1. The debt service amounts and dates they begin from Deen Rogers of Umbaugh.
2. Council member thoughts of how much of a reduction in volume the increase in rates may cause. The administration indicates 3%. What do you think about that? If we use the 3% reduction, then 3% should be added to the rate increase. Please provide input.
3. Does Council prefer the hybrid or sewer rate increase only option? If the hybrid option is preferred, I need to become more familiar with the storm water fee structure. Please provide input.
4. The collection rate is 94.5%. Will increased sewer rates cause a decrease in the collection rates? If yes, by how much? Decreasing the collection rate causes an increase in the rate increase. I have not formed a conclusion on this yet. Please provide input.
5. The labor contract for the waste water utility employees expires December 31, 2016. Will they receive a raise under the future contract? Any raises will increase expenses that must be offset by new revenue, but the impact of this issue is much less than the impact of issues 2, 3, and 4 above. I am not asking for input on this. I just want to make you aware of this possibility.

The last calculation I prepared and submitted was a two-stage sewer rate increase of 6% and 12% that should raise some \$5,200,000 of new revenue. These calculations were based on \$3,600,000 of PILOT and \$800,000 of administrative fees. The 2017 WWU budget currently has \$4,000,000 of PILOT and \$1,150,000 of administrative fees. This \$750,000 increase in expense must also be offset by new revenue. This will increase the sewer rates by another 3%.

I will get an updated calculation to you as soon as I can. I would like it to reflect a consensus of Council on the above issues if at all possible. For that to happen, I need your input. The more consensus that is reached before Thursday's meeting, the shorter the meeting will be.